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## **Standing Committee on Fisheries and Oceans**

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**EVIDENCE**

**Wednesday, February 12, 2014**

**Chair**

**Mr. Rodney Weston**



## Standing Committee on Fisheries and Oceans

Wednesday, February 12, 2014

• (1540)

[English]

**The Chair (Mr. Rodney Weston (Saint John, CPC)):** I'll call this meeting to order.

Before we get started, Mr. Chisholm wants to read a notice of motion.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you, Mr. Chairman.

I forwarded this to the clerk earlier this week, but I'll just get this notice of motion on the record, "That, in light of the Department of Fisheries and Oceans' consideration of changes to the existing Pacific wild salmon commercial licensing model, the Committee conduct a study on that matter at its earliest opportunity, invite witnesses to comment on, among other things, implications of a quota system on independent fishermen and coastal communities."

**The Chair:** Thank you, Mr. Chisholm. It has been noted.

We're ready to begin.

Mr. McGuinness, thank you very much for joining us today. I know you're familiar with the proceedings of the committee, so I probably don't have to go through how it works, but once again thank you for coming and sharing your thoughts on the Canada-European trade agreement.

Whenever you're ready, Mr. McGuinness, the floor is yours.

**Mr. Patrick McGuinness (President, Fisheries Council of Canada):** First of all, thank you for the invitation to appear before you. I thought I'd start by giving you a short description of the Fisheries Council of Canada and then of our industry.

The Fisheries Council of Canada, FCC, is a national association right from British Columbia to Nunavut. It is basically a \$6-billion industry. We employ about 83,000 people. The FCC members produce most of that production. We also are significant harvesters in British Columbia through the BC Seafood Alliance, which represents about 90% of the value of the fish and seafood landed in British Columbia. In Atlantic Canada, we're predominantly harvesters of shrimp, groundfish, scallops, and herring.

Our members, the people who pay my salary, are primarily what we would call integrated companies, in the sense that they own and control their own harvesting vessels and the processing plants, and are involved in the marketing and exporting of the products. In the FCC, we're also very proud of the main fishermen's cooperatives in New Brunswick and Newfoundland and Labrador. I should say P.E.I., but at this time in P.E.I., the processors association is floundering

and hasn't been able to pay its bills. We hope to have them back in shortly. Fishermen's cooperatives are basically fishermen's associations that have forward integrated into the market, in the sense that they not only harvest but also own and operate a processing facility.

Our industry is an export industry. We export about 66% of what we produce. Sixty per cent of those exports go to the U.S.A. One could say that we are very much dependent, if you will, upon the United States, but if you look across the industrial sector of Canada in terms of exporting, you will find that for most of our sectors, whether it's meat or whatever, they're into the 70% or 75% dependency on the U.S. market. We've been somewhat involved in a strategy, if you will, of market diversification. Our dependency on the United States on exports is 60%. That's progress, but it is still high.

In the last number of years in terms of the strategy, we've been very much focusing on Asia Pacific. At the time, the EU was not particularly attractive. What we were facing there was that our main competitors, the Scandinavians, had duty-free access to the European Union, and for developing countries, most of them had duty-free access to the EU. Fish and seafood is the largest traded food commodity in the world. Right now, developing countries in terms of volume supply about 40% of what's being traded around the world.

In terms of our strategy, we feel that we have been successful. If we look at our top five markets, we find that three of them are in Asia Pacific. Our number one market is the United States. Our number two market is Canada itself. Our number three market is China, at \$440 million. Our number four market is Japan, at \$260 million. Our number five market is Hong Kong, at \$130 million.

In that scenario, what's missing? What's missing is a European country, despite the fact that the EU is the largest seafood market in the world. The first significant market for us in terms of an EU country is the United Kingdom. The United Kingdom is now seventh, with about \$90 million of our exports. It comes behind Russia, which is sixth, at \$104 million.

What we see with respect to CETA is it will be changing this picture that I've just presented to you. It's a game changer. It's a game changer for a number of Atlantic fisheries: for shrimp, particularly cooked and peeled; lobster processing, which will also then have spillover benefits to the live lobster sector; herring; and mackerel. There's no question that CETA also has positive things with respect to British Columbia groundfish and salmon fisheries, and also in terms of Yukon and the Northwest Territories, with respect to the freshwater fisheries of walleye and pickerel.

In summary, reducing the tariffs of 15% and 20% to zero in the world's largest market is really going to help us put our diversification strategy into high gear.

What we've noticed over a number of years is that the EU has expanded from about 13 or 14 countries to 28. In doing that it has become the world's largest seafood market, but if you look at Canadian exports into the EU, we haven't participated in that growth. Between 2006 and 2012, the value of exports to the EU dropped 38%. Meanwhile, our exports to the United States remained stable, and obviously, we've had significant increases in China, Russia, and the Asia-Pacific in general.

Basically, the EU high tariffs have been forcing us to really focus on emerging markets, particularly emerging markets that are growing with middle-class populations. These markets, China and Russia, are lucrative markets, but they are risky markets. What we find in many of these markets is that the WTO trade rules, the Codex standards, are having a hard time getting traction. There are really some significant problems in terms of dealing with that.

With respect to CETA, I'll give you two examples where we think it's a game changer. Cooked and peeled shrimp, which is basically in Newfoundland, New Brunswick, and Quebec, the market for that product is the U.K., Denmark, and Sweden. The tariff rate in the EU right now is 20%. Our access to that market is totally dependent upon the EU unilaterally establishing what we call autonomous tariff reductions that allow our products to go in at a reduced rate or zero provided there's further processing of those products in the EU.

We've been in this game for at least 10 years, particularly as the shrimp industry expanded in Newfoundland and Labrador. We started off with maybe a 5,000 tonne quota at 7%, and the last quota that was negotiated for the period 2013-15 is 30,000 tonnes at 0%.

What's happened in those years and more recent years, is that trying to get some form of agreement with the Europeans has been much easier than in the beginning. That's primarily because the last industrialized shrimp peeling plant in the EU closed a number of years ago. However, we see that changing.

What we're seeing now is hand peeling developing in Poland, Bulgaria, and Estonia. Our concern in terms of the cooked and peeled shrimp industry, which is vital to Newfoundland and Labrador and very important to New Brunswick and Quebec, is that when the 2013-15 arrangement expires and you have to have one for 2016, there will be voices in the EU in terms of either eliminating the type of access or reducing it. Really, the CETA is coming just in time in terms of this oncoming significant challenge.

What CETA does, is it gets that industry out of that dysfunctional mess of what we call ATRQs. It was particularly difficult for the east

coast of Newfoundland, where they would start their shrimp fishery in late June, July, and then, say for example, by September the duty-free quota into the EU would be fully exhausted by supplies from other provinces, and also from the west coast of Newfoundland and Labrador, and then the quota would jump up to 20%.

What the industry would do is we'd continue to fish, harvest, produce, put it in cold storage, either in Canada or in the EU, pay for that, and then on January 1 of the next year just dump it on the market. As I said, that's totally dysfunctional, but people were living and making a few dollars. CETA will get us out of that.

● (1545)

Lobster processing is very important to P.E.I. and New Brunswick. Eighty-five per cent of the processed products that we produce in Canada goes to the United States. What's been happening in recent years is a growing worldwide market for lobster tails and claws. With that type of product, because it is an excellent product for restaurants and high-end restaurants, we've actually had good inroads to the EU despite the 16% tariff.

The tariff is 16% for that particular product, and for the processed lobster meat it's 20%. What we see there is that the elimination of that tariff will open up a market for those products in the EU leading to what we feel will be expansion in the lobster processing sector. That will also be very positive for the live lobster sector because what we have right now is an oversupply of live lobster markets from Canada and from Maine hitting the marketplace and causing a significant reduction in prices.

Those are just two examples that we think are game changers.

I could mention, for example, herring and mackerel. It's certainly positive there in the sense that we used to have very good exports of those products into what is called eastern Europe in terms of countries such as Bulgaria, Estonia, Poland, and Czechoslovakia, because they are basically a low-cost food item. We were doing well in there. They joined the European Union. No question it was economically beneficial for those countries, but at the same time, in joining the EU, they have to also adopt the EU tariff structure.

Previously, we could get into those markets at 0%. They joined the EU, and the tariff is now up to 15% on those products. Now in that market we only become a residual supplier, residual in the sense that if the European and Scandinavian stocks are down, then we have opportunities. Now with CETA we have to go back. Hopefully we'll be able to get back into the herring and mackerel food markets of eastern Europe and also expand throughout.

The Fisheries Council of Canada fully supports CETA. We see it as further ammunition in terms of our market diversification strategy. It will enhance prosperity, and we will also see some increased processing, particularly on the cooked and peeled shrimp side and also in lobster processing.

I'd like to end by thanking the trade officials at international trade Canada and the Department of Fisheries and Oceans who kept us informed of issues and who listened to our comments. We felt that our comments and suggestions were considered. We had very positive relationships, and we're very thankful for that type of opportunity.

That's my presentation. I hope I haven't taken too long.

• (1550)

**The Chair:** Thank you very much, Mr. McGuinness.

We'll start off with a 10-minute round of questions.

Mr. Cleary is going to lead off.

**Mr. Ryan Cleary (St. John's South—Mount Pearl, NDP):** Thank you, Mr. McGuinness, for your presentation.

Coming from St. John's South—Mount Pearl in the province of Newfoundland and Labrador, I can tell you, sir, that the overwhelming response from all sectors of our fishing industry is positive to this deal. When it comes to processors and the processing association, when it comes to the Government of Newfoundland and Labrador, and when it comes to the union, the Fish, Food and Allied Workers union, which represents plant workers, fishermen, and trawlermen, everyone is in agreement that this is seen as a positive, as a good deal.

Also, as a former journalist myself, I covered fisheries for a lot of years and I know first-hand the impact of high tariffs on our industries, like shrimp.

That said, there are some questions that are outstanding.

In Newfoundland and Labrador the province is being compensated to the tune of \$280 million from the federal Government of Canada, and \$120 million from the province—the province is kicking in money as well—for giving up minimum processing requirements that we have had in Newfoundland and Labrador for a dog's age.

From the perspective of the association representing processors across Canada, from your perspective, sir, what do you see as the impact of Newfoundland and Labrador lifting minimum processing requirements?

**Mr. Patrick McGuinness:** I'll use an example.

Bottom line, our position is that minimum processing requirements don't protect jobs. The bottom line is, if the harvesting and delivering that product to shore and then putting it into the processing plants is not going to make economic sense, then that's not going to happen. The government can introduce rules, but the company really operates in terms of making sound decisions.

You don't necessarily protect that job, but what happens is on the harvesting side, that quota is either not fully harvested or it's basically left in the water.

I'll give you a good example. Bottom line, in terms of minimum processing requirements, as you say, Newfoundland and Labrador has them in place. Nova Scotia doesn't have them in place. New Brunswick doesn't have them in place. P.E.I. doesn't have them in place. British Columbia no longer has them in place. The Fisheries

Council of Canada worked with the industry in British Columbia and with Minister Fast's office in terms of eliminating that last vestige.

You have a roe herring fishery in British Columbia; you have a roe herring fishery in Alaska. The salted roe herring business was absolutely excellent because basically, you sell it into Japan and it was a high gift price in terms of their new year.

Two things happened over time. The market for that product declined quite substantially, and at the same time, in terms of the stocks both in Alaska and in British Columbia, certain components of them were becoming extremely small. That resulted in with respect to the prices, it was not economical any longer to take out the roe from the small females.

• (1555)

**Mr. Ryan Cleary:** Could I interrupt, as I only have a few minutes to ask questions and I want to stick to the impact of minimum processing requirements.

**Mr. Patrick McGuinness:** I'll tell you. What happened is the Alaskans, without a minimum processing requirement, basically adjusted. What they did is they sent the smaller products to, for example, Korea. It was further processed there and then sold into Japan.

Meanwhile, basically what was happening in B.C. is that the smaller herring, the seiners would not be going out to harvest them. We were reducing landed value. Then in the marketplace, the Alaskans could sell to the Japanese and say that they not only had roe herring here, but they had food herring, where our people could only sell that.

The bottom line is, it was understood then that what was happening was the overall pie was declining.

**Mr. Ryan Cleary:** Let me cut to the chase and ask you.

**Mr. Patrick McGuinness:** I just want to say—

**Mr. Ryan Cleary:** No, no. I only have so much time, sir.

The lifting of minimum processing requirements in Newfoundland and Labrador, the elimination of those rules, that will not result in any job losses in Newfoundland and Labrador, will it? That's the question.

**Mr. Patrick McGuinness:** I'll tell you what. I'll give you what Earle McCurdy said in *The Telegram* with respect to “union exploring shipping out unprocessed cod”.

**Mr. Ryan Cleary:** I've read those stories, sir. I'm looking for your opinion.

**Mr. Patrick McGuinness:** I'll tell you what it said:

More broadly, McCurdy said he believes minimum processing requirements are a relic of a different era. In 2013, the regulations made it uneconomical to fish, which meant part of the quota wasn't caught, he said.

“That whole policy area has to really be re-thought,” he said. “There's no good having a bunch of regulations and having fish left in the water. That benefits no one.”

What I'm saying—

**Mr. Ryan Cleary:** Let me ask you this question again, then, sir.

The lifting of minimum processing requirements to Newfoundland and Labrador, do you think that will result in any job losses in our plants? Yes or no?

**Mr. Patrick McGuinness:** It's an unfair question. I look at the fishery overall. I'm saying that the continuation of those processing plants, of those processing rules, will cause, if you will, a reduced value of the fisheries.

We already see this in yellowtail flounder. You know that. In Newfoundland and Labrador, because of the small size of yellowtail flounder, because of the minimum processing requirement, some of those quotas are left in the water.

If you just want to look at one little piece, you can make some sort of comment, but if you want to take a holistic kind of approach to an issue, and that's what the Fisheries Council of Canada does, you come to the only conclusion that maintaining a minimum processing requirement is negative to the benefits of people working in the fishing industry, whether it's processors or harvesters.

**Mr. Ryan Cleary:** Again, Mr. McGuinness, I want to highlight the fact that this deal is generally seen in Newfoundland and Labrador as a good deal.

There are also questions, and one of the central questions that's being asked is what exactly Newfoundland and Labrador is giving up by agreeing to the elimination of minimum processing requirements, what impact that will have on the processing sector. As you just note, you have to look at the big picture, not just one piece of the pie, but the whole pie.

There's another concern that is being raised. This concern was raised shortly after last fall when the Conservative government announced the CETA deal. The concern raised was as a result of media reports out of the EU. Basically, the way the EU was selling this package was that as a result of the CETA deal, the lifting of minimum processing requirements, EU countries like Spain and Portugal, for example, would have access to more raw Canadian fish.

Let me read it to you. Under "Fisheries", the memo states that in addition to the elimination of tariffs, "...the fish package also includes other elements of interest to EU firms, such as better access to Canadian fish for the EU processing industry."

Again it's a simple question cut right to the chase: will this deal result in EU processing companies getting more access to raw Canadian fish?

• (1600)

**Mr. Patrick McGuinness:** Newfoundland is not unique. A cod in Newfoundland and a cod in Nova Scotia are relatively the same. They have access to all sorts of Atlantic Canada fish because there are no processing restrictions in Nova Scotia. There are no processing restrictions in New Brunswick. There are no processing restrictions in P.E.I.

It's really difficult to see the fact that Newfoundland and Labrador has a minimum processing restriction. In terms of the impact on the marketplace, in terms of getting raw material, it's never come to me that that's a problem from the foreign countries or foreign buyers.

**Mr. Ryan Cleary:** The \$400 million—\$280 million from the federal government and \$120 million from the province—what exactly is that for if it's not compensation for a loss?

**Mr. Patrick McGuinness:** There's no question on what's happening. Whether you have the CETA deal or whatever, the industry in Newfoundland and Labrador has significant problems, and you know that. There was that major study which identified that 30% of the harvesting vessels were not profitable, and 40% of the processing plants were not profitable. Basically, that report is there, so there's no question there has to be consolidation. There's no question that a number of those plants and those communities around Newfoundland are going to evaporate.

Now, the effort, I think, in terms of this funding is basically to help that transition. Those plants now are very much populated by people who are 45, 55, 65 years of age. There's some intent, if you will, hopefully to transition those people and those communities in terms of just the evolution in terms of the fisheries and things of that nature.

Whether CETA came in or not, that was going to happen. What CETA may do is, if we don't restructure ourselves to see the opportunities, we may lose some opportunities. It may accelerate people to say that we have an opportunity here and we're going to have to work more collaboratively. We're going to have to have better communications, better working together among the harvesters, the unions, and the processors. That is what we hope will happen.

That in itself, the evolution of that type of approach, will mean that companies, the Barry Group, maybe will start looking at it with collaborations and so forth.

That is what we see happening. Now, bottom line, CETA may be pivotal in making that thing go forward. In our view, and I think in the view of the fishing industry, and also it's the view for Newfoundland and Labrador, that's a good thing. You're either going to move forward or you're going to be swept away.

**The Chair:** Thank you very much.

Next up is Mr. Kamp. I believe you're going to share your time with Mr. Leef.

**Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC):** Mr. Chair, if you could help me to split my time with Mr. Leef, I'd appreciate it.

Welcome, Mr. McGuinness. I appreciate your perspective on this.

Can you remind us again what role the council played during the CETA negotiations?

• (1605)

**Mr. Patrick McGuinness:** Basically I had to sign confidentiality papers with the Government of Canada, but from time to time the negotiators would have a question and concerns about the situation from the viewpoint of the fishing industry and what its reaction would be to this or that. I guess my job was to try to convey a comment and help them with negotiations to ensure that they had a good sounding of what's happening in the fishing industry

**Mr. Randy Kamp:** Thank you for that.

You say that your members are mainly involved in the wild capture fishery. Does that mean you have no members who are involved in aquaculture?

**Mr. Patrick McGuinness:** No. Basically, in P.E.I. some of the mussel companies would be members of the Fisheries Council of Canada, but not involved in aquaculture, really.

**Mr. Randy Kamp:** Conventional wisdom says that it's good for Canada that we have negotiated this European agreement before the U.S., which is actively involved in doing so as we speak. Is that your perspective as well?

**Mr. Patrick McGuinness:** Oh, most definitely. We already have a situation, and you may recall that we entered a free trade agreement with South Korea, but it has floundered. The Americans came behind us and actually now have a free trade agreement with South Korea. Already the tariffs with respect to South Korea toward the United States are going down, and already we're starting to see a loss of live lobster sales to South Korea, because the Americans are able to veto us.

There's no question that having this agreement in place before the Americans come on board is absolutely fantastic.

**Mr. Randy Kamp:** Another witness, in answer to a question, told us that he couldn't see any way that this free trade agreement, which, of course, is bilateral, could negatively affect our seafood producers in terms of their domestic market access, market share, and so on. Is that your view?

**Mr. Patrick McGuinness:** Yes. If you look across the industrial sector of Canada, the fish and seafood industry is probably the biggest winner, even, say for example, in terms of Unifor, the union of the auto workers, of which the FFAW is a member. He has basically said that. There are winners and losers, but one of the big winners is the fish and seafood industry.

**Mr. Randy Kamp:** Presumably, for a Canadian seafood producer that markets its product to benefit from this, it is going to be exporting more into the EU in addition to the U.S. and China and the other Asian markets. It will be more inclined to do so because it doesn't have to absorb the 20% tariffs that are currently in place. If I'm understanding correctly, that's the mechanism.

Do you or your members have any concerns that European domestic producers who sell into their own market will somehow find a way to react and maybe take a more protectionist role, rather mitigating some of the benefits of this free trade agreement?

**Mr. Patrick McGuinness:** Right now we're quite a small player in the EU; I think we represent 2% of their imports. The capacity of both our wild fisheries and our aquaculture fisheries to expand is quite limited, in that we're dependent upon the quotas and dependent upon the health of the stocks. We focus more on the prosperity side of it in the sense that, as you mentioned, we're selling frozen lobster claws and tails in the EU. Right now it is jumping more than 16%. That will increase, but even if it couldn't increase because of the limitations in the expansion of the stock, they wouldn't get all of the 16%. I'm sure it would be somehow negotiated and shared between the exporter and the buyer.

It's prosperity. It's the same thing with respect to the freshwater fish, walleye and pickerel. They have good markets in Geneva and elsewhere, but they're going in at 8%. The first day that the

agreement comes into place, they'll go in at 0%. It doesn't mean that Lake Winnipeg is going to be producing more walleye; it won't be. But there will be an almost immediate return in terms of the prosperity of the people involved in that fishery.

• (1610)

**Mr. Randy Kamp:** Thank you.

**The Chair:** Mr. Leef.

**Mr. Ryan Leef (Yukon, CPC):** Thank you for your testimony so far. I am going to keep following the vein that Mr. Kamp started on and that you were touching on here.

You're really saying that your return on investment won't improve from more than an increase in the volume of exports.

Have you done an economic impact assessment? What I'm driving at here is this. That ROI improvement in most industries is going to mean the ability to spend the money that you wouldn't have otherwise had on jobs locally, on indirect industries that support the main industry and improve the community. It's that proverbial bouncing buck.

Do you have a handle on what your members would do with the improved ROI and who would indirectly or directly be enhanced because of it?

**Mr. Patrick McGuinness:** I will use as an example cooked and peeled shrimp. Right now they cook and peel the shrimp and send it into the EU for further processing. I see them now going directly to retail. That means they'll start investing in modified atmosphere packaging, basically starting to go directly to retail and to food services. It's a maturation, if you will, of the way they do business.

The real issue for the fish and seafood industry of Canada is the labour force. It is aging and is not being replaced, so we are going to have to innovate. This is where we would be seeing the opportunity. This gives us the money to think positively, in the sense that labour that is withdrawing from the industry can be replaced through automation and innovation and by increasing research with respect to expanding, as you say, the supply of our products.

If we are limited in the wild fisheries by the conditions of the stock... They're generally well managed now. There will be some ups and downs, but the envelope we have now is going to be relatively within 10% to 15%, either up or down. What we need to do is look at our waste. There is a lot of potential to expand our business by moving further into these types of secondary products.

Once you get some sort of half-decent returns behind you, you have the liberty to think in those terms. Right now, if you look at any statistics with respect to Canada's fish and seafood industry, other than, for example, High Liner Foods, which has basically gotten out of the harvesting side, profitability is not really that great.

**Mr. Ryan Leef:** There's improved prosperity with that because of the reduced tariffs.

You mentioned the aging labour force. Would it not be a fair assessment then that if there's some enhanced prosperity, it becomes a lot more attractive market for youth and people looking at new careers or new lines of business to actually start moving into, because a huge market, now a more prosperous one, is going to be available?

Are you planning on marketing that angle of it? Maybe you could give me your insights into that angle of it.

•(1615)

**The Chair:** Very quickly, Mr. McGuinness.

**Mr. Patrick McGuinness:** Basically, we're looking at two things. We really have to start having these plant operations 12 months a year. People don't want to work seven months a year.

Also, we have to start paying higher wages. One example is refrigeration engineers. Our industry in Newfoundland and Labrador is paying more money for those types of people than they are for a similar job in Halifax. The problem is we have to pay a premium for those types of talented people for living in rural communities. Some people love rural communities, but some people really.... It's hard to attract the young people sometimes.

**The Chair:** Thank you very much, Mr. McGuinness and Mr. Leef.

Mr. MacAulay.

**Hon. Lawrence MacAulay (Cardigan, Lib.):** Welcome, Mr. McGuinness.

I'd like to follow Mr. Cleary's questioning on the jobs. I would have to expect that if there's \$400 million paid, it would be for the loss of something, but....

First of all, I want to ask you, on the cooked and peeled shrimp, will that be processed now in the EU or partially processed here? What will happen?

**Mr. Patrick McGuinness:** Well, it's really up to options. It gives the opportunity to have it processed here. What we do see is that some of the plants will be going further into processing here in Canada and delivering direct to retail, particularly in the EU. We do see more processing here in Canada for cooked and peeled.

**Hon. Lawrence MacAulay:** You mentioned the mussel industry, which is of interest to me. We do sell a lot of blue mussels to Europe now. What's the tariff on that at the moment?

**Mr. Patrick McGuinness:** The tariff on mussels is 8%.

**Hon. Lawrence MacAulay:** Will that be removed now?

**Mr. Patrick McGuinness:** On prepared mussels, it will be removed over a seven-year period. It will go from 8% to 0% over seven years.

**Hon. Lawrence MacAulay:** You also mentioned consolidation in the fishery. Consolidation is always something of interest to me when I hear it.

With respect to the lobster fishery, I'd like your analysis on what has taken place on the east coast on the inshore fishery. Do you think of it as an efficient way of handling the industry totally, or do you see that there should be some changes in the industry?

**Mr. Patrick McGuinness:** Well—

**Hon. Lawrence MacAulay:** ...looking at consolidation, sir.

**Mr. Patrick McGuinness:** As you know, the P.E.I. government did the study of the loss of fisheries. The three maritime provinces did it and they did see a lot of opportunities for improvement.

I don't think consolidation was a big item. When you look at consolidation, you're looking more at the processing side. In P.E.I. you've already had significant reduction in processing with the closure of the OCI plant.

When I talk about consolidation, I'm talking primarily about New Brunswick, primarily about P.E.I. in terms of the processing plants—

**Hon. Lawrence MacAulay:** Not on the fishing sector though.

**Mr. Patrick McGuinness:** No, not.... Well, on the fishing sector, I'll try to leave that to the fisheries associations to try to work through that.

**Hon. Lawrence MacAulay:** I can assure you, sir, it's a touchy area.

There's a 16% tariff on lobster tails and claws going into the EU. Am I correct? When will that be zero? When we sign the deal?

**Mr. Patrick McGuinness:** My estimation is, if we signed it today, by the time all the legislation was done—the EU has to go out to all of their 28 countries—the earliest I would see it coming into play would be January 1, 2016.

So on lobster tails—

**Hon. Lawrence MacAulay:** I think they're 16%.

**Mr. Patrick McGuinness:** Yes, they're 16%. They would go from 16% down to 0% in probably about three years.

•(1620)

**Hon. Lawrence MacAulay:** Of course that will be shared. No doubt most of that 16% will go to the fisherman.

**Mr. Patrick McGuinness:** No comment.

**Hon. Lawrence MacAulay:** Also, looking at lobster, my concern is that lobster itself, and I'd like your opinion on it, is not marketed as well as it could be. In the little touring I have done, particularly in China and other places, I have seen that it's hardly promoted at large food expos. Do you see that as a problem? I also look at the same market. If you look at the population of China, we have a very large food expo and other sectors are well represented there, but the lobster industry, in my opinion, is not. Would you agree or disagree, and what should be done?

**Mr. Patrick McGuinness:** There is no question that the marketing of lobsters in most of those reports has been identified as a problem. There have been efforts to try to bring the industry together to get something going. I'll give you an example. There are really two lobster sectors. There's the offshore lobster sector, which is basically Clearwater, and they're doing a crackerjack job.

**Hon. Lawrence MacAulay:** Clearwater, excuse me, is somewhat involved in the export of lobster, and I give them credit for it, and does seek markets, but other large multinational companies are not as involved. Perhaps you'd like to comment on that area too. Is that a miss or is that wrong? What needs to be done? I did look for a lobster in the food expo in China. I found one way down in the bottom of the case, wrapped in a piece of plastic.



**Mr. Patrick McGuinness:** For a major company to get involved in this, the real problem is that on the inshore lobster there is no price stability. There are wide fluctuations in price and the marketplace hates that. Retailers hate it. Food services hate it. In a sense a safe example is when the lobster fisheries open in Nova Scotia, the lobster prices are up, and invariably they start to go down, and then they go up and up. It's very difficult for a company that is into marketing and things of that nature to say this is something, even though it's a fantastic product. It's very difficult for a marketing company or an exporting company to commit a lot of effort to it because of the invariable fluctuations through the seasons.

**Hon. Lawrence MacAulay:** When you look at what Australia has done with their so-called lobster, they pretty much have a large portion of the Chinese market, whatever market it is there. They have that and we have very little. We're wondering what...

**Mr. Patrick McGuinness:** That's a good example. As you say, Australia has a smaller biomass, if you will, but they really work together.

**Hon. Lawrence MacAulay:** Big price; they're paid well.

**Mr. Patrick McGuinness:** Not only that, what did they do? They got together and were one of the first fisheries in the world to get the MSC sustainability certification. Right now in terms of lobsters in Canada.... That was how many years ago? Probably seven years ago. With that, even that label, bottom line gave them cachet to the Carrefours in France because it was distinctive. The first lobster fishery to be MSC certified was in 2013 in Canada in the Îles-de-la-Madeleine and now the lobster fisheries in P.E.I. are going through the process.

There was that type of lobster industry, which to some extent consolidated. It's consolidated in the sense that they're part of one type of common view, whereas—

•(1625)

**Hon. Lawrence MacAulay:** Possibly.

**Mr. Robert Chisholm:** The Îles-de-la-Madeleine, yes.

**Mr. Patrick McGuinness:** No, not the Îles-de-la-Madeleine; I'm talking about Australians.

**Mr. Robert Chisholm:** Okay.

**Mr. Patrick McGuinness:** They went forward in terms of recognizing marketing and all sorts of stuff, whereas we still have lobster area 34, lobster area 32, and they're like separate communities. They're not really working together to a large extent.

**Hon. Lawrence MacAulay:** What do you see on eco-certification? You mentioned Australia. How do you see that playing in the marketplace? We're into it anyhow, of course. What I would see is that they could decide that certain areas.... For example, on the south side of Prince Edward Island, the last three or four years the lobster fishery was very poor. The catch was poor. Over the last 10 or 15 years there have been a lot of measures put in place to increase the lobster production. Last year they had a very big year.

The problem I would see with eco-certification is they could have decided that these fish should not be fished. Am I right? I hope that whoever's handling the eco-certification knows that fish swim. Can you see that as being a problem or not?

**Mr. Patrick McGuinness:** It's a necessary evil. I must admit that in terms of the certifying bodies, they have evolved quite well in terms of their knowledge of fisheries and biology, and so forth.

The important thing for any fishery that wants to get certified is to make sure they spend a lot of effort in identifying the accredited certified body that they think can work best with them. We have a number of people who have retired from fisheries management, people who really know their fisheries. They know that fish swim and they know the biomasses will change from time to time. That doesn't necessarily mean it's an inappropriate fisheries management regime, but that's the nature of things.

**The Chair:** Thank you, Mr. MacAulay. Your time is up, sir. You get three more minutes and it's still not enough.

Mr. Weston, you're going to split your time with Mr. Sopuck, I believe.

[*Translation*]

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you very much, Mr. Chair.

[*English*]

Mr. McGuinness, thank you for being with us.

You said earlier you're going to either have to move forward or you're going to be swept away. I thank you for being part of a truly historic agreement. I recall not so long ago when Canada had free trade agreements with six countries. We're now up to 43 countries, including the 28 included in CETA. We've learned that this will increase the number of jobs in Canada by the thousands, and the amount of money that's in the pocket of the average Canadian family by up to a couple of thousand dollars a year, potentially, as we gain access to the world's most lucrative market. We're in a historical time and you played a big part of that, so we thank you for helping.

I'd just like to ask you about the number of jobs that you see being created in your sector from the signing of this agreement.

**Mr. Patrick McGuinness:** As I said, that's very difficult. My sector, of course, is the wild fishery. I think we do see increased employment in our cooked and peeled shrimp right throughout Newfoundland and Labrador, New Brunswick, and Quebec. We do see the lobster processing sector expanding in P.E.I. and New Brunswick.

The difficulty in projecting job increases is the fact that, as I say, in wild fisheries we very much have the umbrella of nature. We can't simply produce more widgets. We're still going to be working with probably the same amount of quotas. The only thing you can do in terms of jobs is value-added. We do see considerable opportunity for value-added, particularly going into the EU market, which is a sophisticated market in terms of people wanting to eat fish and seafood, in terms of very readily cookable, and things of that nature. We see that happening mainly.

•(1630)

**Mr. John Weston:** As well as increasing the number of jobs, maybe it's securing the jobs, you could say.

**Mr. Patrick McGuinness:** Yes. This is what we see. The thing is that we do see job improvements. Those job improvements to a large extent mean investing in innovation, doing things differently, modified atmosphere of packaging, focusing more on the EU marketplace as opposed to....

For example, in terms of our shell-on shrimp, we're very big in China. We're delivering a lot of that right into the Chinese wet markets. That tariff rate is 12% in the EU, so we'd be shifting more into the EU, but it wouldn't be going to the wet markets; it would be going to a higher product.

**Mr. John Weston:** Given the success here, and the capacity that we built just in our ability to negotiate all these preceding agreements and now CETA, we read in the papers last week that we might be on the verge of having an agreement with Korea. We're also trying to negotiate a TPP, a Trans-Pacific Partnership, and there are free trade discussions going on with India and Japan. Do you regard CETA as a good template that could be used in some of these other agreements?

**Mr. Patrick McGuinness:** Most definitely. We're very, very anxious to get the deal done in South Korea. Canada is about the 10th largest economy in the world, Korea is number 14, and they love fish and eat fish. We have to get that done just in terms of staying even with the Americans.

The TPP is really good for us in terms of Japan now being a participant, and also Vietnam. These are good markets. Even though we're going to be doing a bilateral with Japan, Japan was going to be difficult in terms of the fisheries on a number of issues. I see being in the TPP, and the pressure behind that to get that done and Japan wanting to be part of it, is going to be very beneficial for the fish and seafood industry.

**Mr. John Weston:** Let's go back to the minimum processing requirements. I'm going to quote what Steve Verheul, the chief negotiator, said when he was asked about this. He said there were two justifications for it. He said:

Well, there has been some concern expressed in various places that the removal of minimum processing requirements on exports to the EU might have some impact, and some, I'm convinced, probably believe that. I think that was part of the justification.

The other justification is that if we're going to take full advantage of this new access into the EU, we need to be prepared, well positioned, to do that, particularly if we're going to go into the retail market, which we haven't done to a great extent so far.

So it's more about restructuring the industry, positioning it to compete in the European market.

Do you want to comment on that explanation?

**Mr. Patrick McGuinness:** That's excellent. He's obviously a very talented person, and he's proved that in terms of negotiating an excellent arrangement.

**Mr. John Weston:** Great. Thank you.

I'm going to split my time with my colleague Mr. Sopuck.

**The Chair:** Mr. Sopuck, you have four and a half minutes.

**Mr. Robert Sopuck (Dauphin—Swan River—Marquette, CPC):** Good.

I heard you say something interesting. Actually, everything you said was interesting, but one thing in particular stood out for me. I

think you said that our fish stocks are well managed. Did I hear that correctly?

**Mr. Patrick McGuinness:** Yes.

**Mr. Robert Sopuck:** Good.

What do you attribute that good management to? What are we doing right to ensure the sustainability of our fish stocks?

**Mr. Patrick McGuinness:** It's a good question.

About six years ago 12 international biologists, scientists, studied 56 countries to see how well they were implementing their fisheries management regime with respect to the FAO code of conduct for responsible fisheries. Only six countries actually passed and got good marks. One of them was Canada.

To some extent what they're doing is actually adhering to the requirements of the FAO in terms of responsible fisheries management. There are also significant investments in DFO, in terms of its fisheries management regime, its monitoring and enforcement. It's a world-class fisheries management regime. It was rated number three.

• (1635)

**Mr. Robert Sopuck:** That situation exists today, the good management of fish stocks.

**Mr. Patrick McGuinness:** Yes.

**Mr. Robert Sopuck:** Okay. I appreciate somebody who's directly in the industry depending on wild fish stocks making that kind of statement, given some of the things we hear from the other side. I'm gratified, as a fisheries biologist myself to have it confirmed yet again that Canada's fish stocks are well managed by DFO.

I come from inland Canada, Manitoba in particular. I was interested in your reference to Lake Winnipeg. I have commercial fishermen in my own constituency. I know that the freshwater commercial fishery is quite small, but I heard you mention walleye, and so on.

What more opportunities do you see for freshwater fish exports? I think your comment about Lake Winnipeg not being able to produce any more fish is very well taken, so it's on the value-added side. In the area of the so-called off-quota species, sometimes called rough fish, like mullet, carp, and so on, do we see any opportunities for those off-quota species?

**Mr. Patrick McGuinness:** It's difficult. The bottom line with the marketplace is that Europe wants the walleye and the pickerel. Perhaps in terms of putting together imaginative packages there could be an opportunity to develop better markets for those type of products, but as you know, it has proved difficult.

**Mr. Robert Sopuck:** There used to be a fairly lucrative market in pike, three- to nine-pound pike in France. Is that market still going? Are you aware of that?

**Mr. Patrick McGuinness:** I believe so. Yes.

**Mr. Robert Sopuck:** Okay. Your point about the sophistication of the Europeans is well taken because they have to be very exact with really red gills and the whole thing, shipped over fresh.

**Mr. Patrick McGuinness:** Actually—what do you call it—the Lake Geneva walleye or whatever, what has happened is that over time that stock has been pretty well decimated and, of course, now it's being supplied out of Canada. In restaurants it's still called Lake Geneva.

**Mr. Robert Sopuck:** Interesting, and that's fish from Canada called Lake Geneva. Okay.

Getting back to the issue of sustainability of fish stocks, looking long term—because in your business you have to look long term, 20 or 25 years—are the fish stocks able to sustain the pressure they're under now, assuming we keep our management regimes in place? I know you have a watchful eye on fish stocks all the time, but are you confident going decades out that we'll still be in good shape?

**Mr. Patrick McGuinness:** If we're diligent. The bottom line is that the stocks are being assessed; their biomass is being assessed, along with the amount of take, the size, the ages. As you know from a biological point of view, you can make these types of modellings. So far with those types of modellings, if you perform appropriately, you should be able to have a sustainable stock with the natural fluctuations. That's all we're aiming for.

Generally, you always get side-swiped. There are a number of issues out there that are concerning, such as climate changes, acidification of the oceans, and things of that nature, but if it's relatively static from nature, I think that fisheries management can do a fairly good job of maintaining the sustainability.

**Mr. Robert Sopuck:** Excellent. Thank you very much.

**The Chair:** Thank you very much, Mr. Sopuck.

Mr. McGuinness, on behalf of the committee I'd like to thank you for coming in today and appearing before our committee. We certainly do appreciate your point of view and your taking the time to answer committee members' questions. Thank you very much.

**Mr. Patrick McGuinness:** Thank you very much.

**The Chair:** We're going to suspend, members, for a couple of minutes as we go in camera. We'll discuss committee business at that point in time.

*[Proceedings continue in camera]*

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